

**NEW HANOVER COUNTY AIRPORT AUTHORITY
REGULAR MEETING
October 4, 2017**

CALL TO ORDER

The New Hanover County Airport Authority met on Wednesday, October 4, 2017, at Wilmington International Airport, 1740 Airport Boulevard, Wilmington, North Carolina. Chairman Lambeth called the meeting to order at 5:02 p.m. Mr. Hickman led the Pledge of Allegiance and Chairman Lambeth read the Authority's Code of Ethics statement. No conflicts of interest or potential conflicts of interest were identified at that time.

Airport Authority members present were; Carter Lambeth, Chairman; Dan Hickman, Vice-Chairman; Donna Girardot, Secretary; Tom Barber, Harry W. Stovall, W. Lee Williams, and Thomas Wolfe. Also present were Julie Wilsey, Airport Director; Gary Broughton, Deputy Director; Robert Campbell, Finance Director; Whitney Prease, Facilities Director; Carol LeTellier, Business Development Director; Rose Davis, Executive Assistant; and Wanda Copley, New Hanover County Attorney.

Guests present included Steve Bright and Amy McLane, Talbert & Bright, Inc.; Joseph Pickering, Mead & Hunt; Bill Cherry, Eric Canup, Ryan Evans, and Tom Goodwin.

APPROVAL OF MINUTES

The Authority has reviewed the minutes of the Regular Meeting on September 6, 2017. Mr. Wolfe MOVED, SECONDED by Mr. Stovall, to approve the minutes of the September 6, 2017 Airport Authority Meeting as submitted. Upon vote, the MOTION WAS APPROVED UNANIMOUSLY.

PUBLIC COMMENTS

None.

AIR SERVICE DEVELOPMENT UPDATE

Mr. Pickering, ILM's Air Service Consultant, updated the authority on the trends in commercial air service development and what is happening in ILM's market. Mr. Pickering, using slides to illustrate, noted that the last few years the airlines have shown record profits due to consolidation and the airlines charging additional fees, which is a positive sign for ILM.

Mr. Pickering shared that in markets like ILM, that are primarily business travelers, the market share is still controlled by the big four carriers: American, Delta, United and Southwest. During discussions with the Business Travel Group, a question came up as to why Southwest Airlines isn't in a market like Wilmington and Mr. Pickering explained the two main reasons are: 1) Wilmington doesn't have a primary population greater than 1M people; and 2) Southwest has really strong unions that require a minimum of 8 flights a day on large mainline - 150+ seat - aircraft and ILM's market simply can't support that.

Mr. Pickering reported that American Airlines, the #1 carrier out of ILM, experienced growth over the last 10 years that has been slightly below GDP, at around 8%, while Delta's growth has been slightly above the GDP. United Airlines has actually shrunk over the last 5 years, but they

have a new management team in place that is taking a fresh look at the domestic market and indications are they are looking to further invest in the domestic market, which is great news for ILM.

Mr. Pickering pointed out that carriers like Spirit Airlines and Allegiant have shown tremendous growth during this same time period but most of their growth is in large cities like Dallas, Chicago, Detroit, Las Vegas, so they aren't considered a good fit for the ILM market.

Mr. Pickering stated that overall capacity over the last 5 years has been up around 12% but that isn't shared equally among the nation's airports. Wilmington has been designated a non-hub airport and is right on the cusp of moving to that next category, which is defined by the FAA as percent of national enplanements. Nationally, airports of ILM's size, have grown about half of the GDP – around the 6% range, but ILM has grown about 11%. A big part of ILM's growth has come from American Airlines investing in this market.

Mr. Pickering, reporting on future schedules, noted the big news is American's announcement of the new Dallas service during the busy holiday time period. Mr. Pickering stated that he and staff have been pitching Dallas service to American Airlines for a number of years and they finally listened, even though they are offering it on a limited basis. Mr. Pickering stated he believes they are just testing the market. American is increasing the capacity out of ILM and adding a new market. Mr. Pickering reminded everyone that this is ILM's first new market since American added Chicago back in 2008/2009. The hope is that this does so well that they will convert it to daily service.

Mr. Pickering noted that ILM's capacity is staying relatively stable over the next 6 months which is a good thing because ILM's capacity is actually up about 10%, which is very strong based on what is happening nationally. A big part of this is tied to what is going on locally in the economy. ILM's MSA is the fastest growing MSA in the US other than a retirement community in Florida called The Villages.

Mr. Pickering reported that airfares, overall, are trickling down and the big driver of that is the ultra-low fare carriers that have been growing in the largest markets, putting downward pressure on average fares.

Mr. Pickering stated that ILM is almost a \$180M revenue generating market which is phenomenal and revenue generation is almost at an all-time high out of this market with the growing capacity and passengers; even though airfares are down a bit, ILM is still generating significant revenue for the airlines.

Mr. Pickering reported that average airfares out of ILM aren't excessive in comparison with our regional peers, they are actually in that sweet spot. Asheville's fares are a little bit lower but about ¼ of Asheville's capacity is on low cost carrier, Allegiant Airlines, which exclusively caters to the vacation traveler. ILM is much more of a business market. Myrtle Beach is a destination market with a lot of hotel packages and Allegiant and Spirit are big in that market so they naturally get lower fares. We try not to compare ourselves to Myrtle Beach because of the super low fares. It is harder for the major airlines to make money in these markets. ILM is targeting American, United and Delta.

Mr. Pickering reviewed our current service with existing airlines American and Delta noting the following:

Delta

- Atlanta service is doing well;
- Up-gauging aircraft to more mainline from 50 seat regional jets;
- LGA seasonal service didn't perform well but they will reevaluate;
- Trying to initiate Detroit service because of those Asian connections out of Detroit that Delta doesn't have out of Atlanta.

ILM's Business Travel Group (BTG) pointed out Detroit service is important to them, plus Corning mentioned specifically the connections they could make to their HQs in Elmira, NY that they can't get over Atlanta today.

American

- LGA service softening but still a decent performer;
- CLT service doing just fine;
- Announced they are investing more in new international service out of CLT, starting summer 2018 or soon thereafter.
- PHL service a little light on the load factors at around 78%;
- DCA is still weekend only and seasonal down from daily service twice a day in 2013. The BTG asked staff to take another run at DCA service and is working with community partners to gather to support that request.
- Dallas service is a big deal and we are hopeful that will become long term.

Mr. Pickering, reporting on air service development meetings with American, United, and Delta stated ILM continues to promote the Small Community Air Service Development Grant which expires mid-January 2018 for Dallas or Chicago service.

Mr. Pickering, responding to Mr. Lambeth's question about the potential of American bringing back service to Chicago, stated that apparently American is more interested in Dallas and that their hub in Chicago is constrained and there is more opportunity to grow the Dallas hub. Mr. Pickering pointed out another thing to look at is what each hub offers in terms of new destinations. Dallas offers more unique opportunities that aren't served on American out of ILM today. In other words, connecting over Dallas now, you are going to open up 20 new destinations that you couldn't get single connect on American today over Chicago. Dallas has more unique cities it serves than does Chicago. Mr. Pickering stated that another option is United Airlines which also operates a co-hub in Chicago in competition with American and we continue to pitch that opportunity with the SCASDG.

FACILITIES & TERMINAL EXPANSION

Mr. Prease recommended the approval of the following action items:

- a. **NC State Grants** – Approve Airport Authority Chairman to accept all State Grants for the next 30 days. Mrs. Girardot MOVED, SECONDED by Mr. Wolfe to approve this Facilities item. The MOTION WAS APPROVED UNANIMOUSLY.

- b. **Piggyback Contract** – Approve a waiver of competitive bidding under N.C.G.S. 143-129(g) to purchase one Aircraft Loading Jet Bridge from Thyssenkrupp Manufacturing, Inc., NTE \$930,611, contingent upon approval of final contracted pricing. Mrs. Girardot MOVED, SECONDED by Mr. Wolfe to approve this Facilities item. The MOTION WAS APPROVED UNANIMOUSLY.
- c. **Work Authorization** – Approve Work Authorization amendment with Talbert & Bright for additional design and Subconsultant services for the North GA Site Development project in the amount of \$59,474. The approval will be contingent upon review by the NC Division of Aviation. Mr. Hickman MOVED, SECONDED by Mrs. Girardot to approve this Facilities item. The MOTION WAS APPROVED UNANIMOUSLY.

In response to Mr. Lambeth's question, Mr. Prease reported that the Avis Rental Car Facility was rebid on October 4th and several bids were received. RS&H is reviewing the bids.

FINANCE & HUMAN RESOURCES

Mr. Campbell reviewed ILM's August 2017 cash summary, monthly financial summary and financials. Mr. Campbell pointed out on the Cash Summary the line called Safe Keeping which is ILM's new investment account. ILM invested \$1M in August, and as of October 4th, there is \$5M invested and the interest rates range anywhere from 1.2% to 1.4%. Mr. Campbell reported that staff is looking for more ways to make the money work for us.

Mr. Campbell reported that August was a good month with revenue slightly ahead of the budget and parking was still strong, but exits were down 1% compared to last year.

BUSINESS DEVELOPMENT

Ms. LeTellier recommended the approval of the following action items:

- a. Request approval to amend the Budget Avis Car Rental, LLC lease for 2610 N. 23rd Street to add Budget Truck Rental counter, with Right of First Refusal to rent 2610 N. 23rd Street at market rent plus gross receipts, when Budget Avis Car Rental, LLC moves into its new service facility. Mr. Wolfe MOVED, SECONDED by Mr. Stovall to approve this Business Development item. The MOTION WAS APPROVED UNANIMOUSLY.
- b. Request approval to assign the Lett's Limousine and Shuttle Service Lease to Taxi USA, which has 14 US taxicab companies. Two brands will be operated from ILM: TAXI TAXI and YELLOW CAB. The lease expires in February of 2018 and has 3 additional one-year options. Mr. Stovall MOVED, SECONDED by Mr. Wolfe to approve this Business Development item. The MOTION WAS APPROVED UNANIMOUSLY.

Ms. LeTellier directed the attention of the Authority to the new pull-up banners on display for the Business Park and supporting ILM's new tag line – Coast on In, Coast on Out. These banners are available for use at any sponsorship functions and were debuted at the Boat Show.

GOVERNMENT

Mrs. Girardot addressed the Authority regarding the lobbying proposal from Kilpatrick

Townsend, noting that last year was the first time that ILM had hired a lobbyist and that was done in conjunction with 71 other airports. Kilpatrick Townsend is asking ILM for a contract for representation during the upcoming short session for 1 year at \$8,000/month.

Mrs. Girardot advised that the only thing on the table for this short session is the streamlining of the bureaucracy for the airports to conduct business. Mrs. Girardot advised that she and staff have spoken to the State Chamber of Commerce and our local Chamber, as well as Secretary of Transportation Trogdon, and will also be speaking to Senator Rabon about our issues, so having used all these areas to attack this one issue for the short session, Mrs. Girardot doesn't see any reason why ILM should be underwriting the effort to cut back on bureaucracy and red tape for the 71 other airports who have chosen not to join in for this session.

Mrs. Girardot suggested that next fall, when the General Assembly goes into the long session, is when ILM should reevaluate the need for a lobbyist again to see if the airports can get that dedicated, consistent source of funding like the Ports Authority has.

Mrs. Girardot and Mr. Wolfe recommended that the Authority not enter into a contract with Kilpatrick Townsend at this time. Mr. Hickman MOVED, SECONDED by Mr. Barber to not enter into a contract with Kilpatrick Townsend for the short session at this time. The MOTION WAS APPROVED UNANIMOUSLY.

Mrs. Girardot reported that the FAA extension, after flood insurance reform was removed from the legislation, has passed both houses unanimously and is now on the President's desk and it is anticipated that it will be signed.

Mrs. Girardot advised that she has been appointed to the Public Policy Committee for the Wilmington Chamber and will be working with the Chamber directly.

Mrs. Girardot shared that the Authority meeting with the General Assembly delegation is scheduled for October 18th from 9 – 10 am at ILM and that it is important for the legislators to see all of the Authority members at that meeting. This is our opportunity to thank them for their help during the last session, for the \$12M received, and to give them an idea of what we will be bringing to them in January regarding streamlining the system.

Regarding the federal infrastructure bill, President Trump has talked repeatedly about a major \$1T infrastructure bill, but he appears to have changed his mind about it being a public/private effort and so the Democrats are leaning towards making it an all public effort and Republicans are favoring a public/private effort, so it appears that either it is not going to take place or its going to be sitting out there for quite a while because according to the President, the first thing on his agenda is tax reform, and then he wants to go back to the healthcare bill so that leaves the infrastructure bill lingering out there.

Mrs. Wilsey advised the Authority on a meeting with the NCDOT Division of Aviation on Monday, November 6. David Howard, Chief Deputy Secretary, and Julie White, Deputy Secretary of Multimodal, will be visiting all 10 of the commercial aviation airports in the state that received money in the budget bill so this will be our first conversation with NCDOT to get them up to speed on what ILM plans to do with the funding.

OPERATIONS & GENERAL AVIATION

Mr. Broughton, on behalf of the GA committee, requested approval for ILM to take over the state road (Trask Drive) from approximately ILM Maintenance base to the proposed consolidated fuel farm. While this would generate the need for the airport to maintain the road, it would remove a potential obstacle for a second FBO on the North Ramp, as well as future hangar development.

A lengthy discussion followed regarding this request and the potential need to do another RFP for an FBO if this is approved. Mr. Wolfe MOVED, SECONDED by Mr. Barber that ILM initiate the petition to abandon and take over the state road from approximately ILM Maintenance base to the proposed consolidated fuel farm and issue an updated RFP. The MOTION WAS APPROVED UNANIMOUSLY.

Mrs. Wilsey advised that staff would get back to the Authority on a schedule regarding the petition and the release of the updated RFP.

Mr. Broughton informed the Authority that Seahawk Aviation has increased their insurance to allow for maintenance on aircraft in excess of 12,500 pounds as is required by ILM's Minimum Standards as a result of an agreement Seahawk Aviation has to be an on-call maintenance provider with one of our airline express carriers. Congratulations to Seahawk.

Mr. Lambeth stated that the Authority should also congratulate Seahawk for their humanitarian efforts as they arranged flights to Florida in the aftermath of Hurricane Irma flying 6000 pounds of goods on 7 airplanes, including a CJ2.

Mr. Broughton reported to the Authority that a TSA inspector gained access to ILM's AOA through the facility of one of ILM's tenants. This violation is subject to a civil penalty of up to \$11,000. Although ILM issued the tenant a security violation, and retrained that employee as we normally do, the TSA has elected to issue ILM a civil penalty of \$7,500, as this is a repeated issue with this tenant per the TSA.

Mr. Broughton stated that staff has asked to have a phone conversation with the TSA legal department, which Mrs. Copley plans to participate on, in hopes of mitigating this penalty in full, in view of the fact that this tenant has voluntarily chosen to install an electronic access control system at a cost of almost \$10,000 to themselves. However, if ILM is ultimately assessed a monetary penalty, we plan to pass this penalty on to the tenant. ILM also plans to retrain the entire staff of this tenant and in the process of reviewing our security program for possible changes, to include stiffer penalties, as other airports do, such as ID badge suspensions or permanent revocation, in some cases, and also having the tenant managers or supervisors retrain with a violator when that happens.

Discussion followed about the chances of this fine being mitigated; the efforts of the tenant which demonstrated their commitment to solve the problem; and ILM's review of our security program and the challenges that arise when different employees of the same tenant violate.

DIRECTOR'S REPORT

Mrs. Wilsey thanked Mr. Pickering for his presentation noting that she hopes this helps show

where ILM is and how hard we are working on Air Service Development. It is important to talk up the holiday service to Dallas and get those tickets sold.

Mrs. Wilsey reported that ILM is very close to the bubble between non-hub and the small hub status which means as a non-hub we are eligible for up to \$20M in discretionary funding for terminal expansion and improvement projects; as a small hub, we get zero. Mrs. Wilsey shared that this is based on calendar year enplanements versus a percentage of the calendar year enplanements in the entire system in the US, which is .05%. We won't know this until next year as we just received CY2016 enplanements and status. Mrs. Wilsey reported that it was too close to call so staff is urging the FAA to give ILM a small piece of discretionary grant in FY2018, which would go back to CY2016, when we were a non-hub. Once we start that small discretionary grant, then we are eligible from then on out. Mrs. Wilsey stated that ILM has been the largest non-hub for a couple of years and one of the smallest small hubs for a couple of years.

Mrs. Wilsey reported that this will impact projects for the state funding, which was going to be used for the design of the terminal, and now we are going to need to use our federal entitlements for the design of the terminal, so we are reworking that schedule.

Mrs. Wilsey advised the Authority on the upcoming change to the curbside hospitality service at ILM. ILM's partner airlines, American and Delta, insist that they want better service for the wheelchairs and they have a contract that will start on November 8th, with a third party provider pushing wheelchairs from the curb all the way to loading on the aircraft and reverse. ILM's hospitality staff did not do the loading of the people on the aircraft. Mrs. Wilsey reported that ILM has committed for the first year to help our airline partners by contributing \$75,000. This is less than we were paying for our portion of the hospitality service so we will not see a change in our budget.

Mrs. Wilsey updated the Authority on the Real ID versus driver's license that is being required. Many states, including North Carolina, are changing the driver's license so that it can be used as an ID for flying and for getting onto military bases and other installations. You have to go to DMV versus renewing online and provide additional documentation for this higher level of identification. The requirement to have this type ID goes into effect in January 2018 with a grace period through 2020.

In response to questions about how to get the word out to the public, Mrs. Wilsey responded that she would be including this information in her community presentations and it was suggested that information be included on the website. Mr. Pickering stated that in Atlanta they are already using the Real ID driver's license as a boarding pass.

Mrs. Wilsey shared a copy of the County's Five Year Strategic Plan and WILMA magazine featuring ILM's own Erin McNally as a nominee for Public Service, noting the awards ceremony is Friday, October 13th.

Mrs. Wilsey reminded the Authority that on October 18th there is a Public Meeting with the legislators at ILM. Also, mark your calendars for November 16th, at 4:30 pm, Wilmington Business Development is holding their Annual Meeting at the Live Oak Bank Hangar.

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UNFINISHED BUSINESS

None.

NEW BUSINESS

None.

ADJOURNMENT

Mr. Hickman MOVED, SECONDED by Mr. Williams to adjourn the Authority meeting. The MOTION WAS APPROVED UNANIMOUSLY. There being no further business to come before the Board, Chairman Lambeth adjourned the meeting at 6:15 p.m.

Prepared by:

Rose M. Davis

Respectfully Submitted:

Donna Girardot, Secretary

Date of Approval: November 1, 2017